

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF SPRINGPORT	County JACKSON
Audit Date 02/28/05	Opinion Date 7/11/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

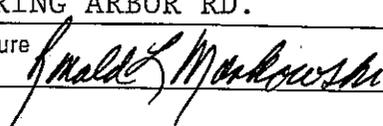
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs			
Street Address 2880 SPRING ARBOR RD.	City JACKSON	State MI	ZIP 49203
Accountant Signature 			

VILLAGE OF SPRINGPORT
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FEBRUARY, 28, 2005

VILLAGE OF SPRINGPORT
 FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Springport
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Springport, Michigan, as of and for the year ended February 28, 2005, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Village of Springport at February 28, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2005, on our consideration of the Village of Springport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Village Council
Village of Springport
Jackson County, Michigan

Management's Discussion and Analysis and the budgetary comparison information, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Village of Springport. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,



MARKOWSKI & COMPANY, CPAs
July 22, 2005

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village's net assets remain stable. The Village continues to provide primary services to our residents. Governmental activities have seen improvements in the Villages streets during the year and Business Type Activities include the major renovations and improvements to the Villages water supply system. The Village has taken possession of a portion of the \$3.342 million dollar water project. Business activities are increasing due to the installation of the new water system and subsequent rate increases. Additionally, the water upgrade has increased capacity for new community growth.

As part of the \$3.342 million dollar project, \$1.053 million dollars was additional debt with the remaining \$2.289 million dollars a grant from the federal government. The large grant amount has allowed the Village's net assets continue to grow and remain healthy.

In a condensed format, the table below shows net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 256,846	\$ 75,790	\$ 332,636
Noncurrent Assets	197,909	4,501,636	4,699,545
Total Assets	<u>454,755</u>	<u>4,577,426</u>	<u>5,032,181</u>
Current Liabilities	6,878	22,730	29,608
Long-Term Debt Outstanding	17,319	1,738,274	1,755,593
Total Liabilities	<u>24,197</u>	<u>1,761,004</u>	<u>1,785,201</u>
Net Assets			
Invested in Capital Assets - Net of Debt	180,590	2,739,321	2,919,911
Restricted for Debt Service	-	55,483	55,483
Unrestricted	249,968	21,618	271,586
Total Net Assets	<u>\$ 430,558</u>	<u>\$ 2,816,422</u>	<u>\$ 3,246,980</u>

Unrestricted net assets – the part of net assets that can be used to finance day to day operations have remained stable.

Management's Discussion and Analysis

The following table shows the changes of the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for Services	\$ 80,895	\$ 306,700	\$ 387,595
Capital grants and Contributions	-	1,906,722	1,906,722
General Revenues			
Property Taxes	101,091	-	101,091
State-Shared Revenues	141,437	-	141,437
Interest Income	785	170	955
Other Income	13,450	14,857	28,307
Total Revenues	337,658	2,228,449	2,566,107
Program Expenses			
Legislative	8,327	-	8,327
General Government	77,982	-	77,982
Public Works	189,032	-	189,032
Consumer and Economic Development	271	-	271
Water and Sewer	-	325,653	325,653
Total Expenses	275,612	325,653	601,265
Change in Net Assets	\$ 62,046	\$ 1,902,796	\$ 1,964,842

The Village's net assets continue to remain healthy.

Governmental Activities

The Village total revenues decreased in part due to the decrease in state shared revenues. Falling interest rates also contributed to lower rate of return on investments. The use of street funds for major street improvements also reduced the amount of money available for investment. Every effort was made to carefully budget funds, however, during a year of extensive water main construction and unforeseen expenditures associated directly with the project, as well as the opportunity to secure a very reasonable contract for street re-paving the assets of the Governmental activities decreased.

Business Type Activities

The Village's business-type activities consist of the Water and Wastewater Enterprise Funds. The Village provides water and sewer to approximately 99% of the village residents. Our Wastewater Fund is stable at this time; however, our method of discharge will most likely be an issue in the next 5 to 10 years. We are in the final stages of the installation of a new water system, which includes reworking the wells and pumping systems, as well as installation of an iron removal system and new water mains. It also includes a new spherical 125,000 gallon water tank for the Village. Increases in water rates increased income; however costs were high due to our small customer base and atmosphere. Rates will soon be set for metered billing for all customers. Once the total system is in place, the Village anticipates operating costs to remain stable or be reduced in some areas.

Management's Discussion and Analysis

The Village's Funds

The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The major funds were the General, and the Major and Local Street funds. The minor funds include the Cemetery Operations and Trust funds, Equipment, and Capital Improvement funds. The enterprise funds consist of Water and Waste Water.

Funds have been created to manage money for specific purposes, as well as show accountability for certain activities, such as property tax millages. The Governmental Funds pays for general operations of the Village buildings and grounds and cemetery maintenance, as well as Village streets. The Equipment Fund is an internal service fund. Funds are transferred from the General Fund to other funds as needed.

General Fund Budgetary Highlights

Over the course of the year, the Village Council amended the budget to take into account events during the year. Most significant was to transfer funds to the Local Street Fund to meet our match funding for street resurfacing. Despite the transfer, the General Fund Balance remained stable due to careful budgeting.

Capital Asset and Debt Administration

At the end of the 2004/2005 fiscal year, the Village has a total net asset balance of \$3,858,544 which is made up of a broad range of capital assets, including buildings, water and sewer lines, and significant investments in streets. Most of the indebtedness is chargeable to the Business type activities. Other debt is for equipment, which will be paid by 2006.

Economic Factors and Next Year's Budgets and Rates

For several years, the Village has not seen an increase in property taxes. In fact, the millage has decreased yearly. In the interest of attracting new economic development to the Village, and the fact that our tax rates are already substantial, we decline to raise our tax rates. We do this hoping that we will attract more economic growth over time. Also, as some of the older residents sell their homes, the tax basis increases and this will bring additional revenue.

We anticipate that water and sewer rates will be adjusted for the new water system costs; this may or may not bring additional revenues. The Village is in the process of evaluation and will likely be having public hearings in the current year to discuss any rate increases needed.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

VILLAGE OF SPRINGPORT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF SPRINGPORT
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$ 156,341	\$ 94,116	\$ 250,457
Accounts receivable	1,533	41,610	43,143
Due from other governments	30,836	-	30,836
Internal balances	68,136	(59,936)	8,200
Total current assets	<u>256,846</u>	<u>75,790</u>	<u>332,636</u>
NONCURRENT ASSETS			
Construction in progress	-	2,890,237	2,890,237
Distribution and collection system	-	2,309,293	2,309,293
Machinery and equipment	300,573	19,138	319,711
Infrastructure	147,779	-	147,779
Less - Accumulated depreciation	(250,443)	(741,073)	(991,516)
Net property and equipment	<u>197,909</u>	<u>4,477,595</u>	<u>4,675,504</u>
Deferred charges	-	24,041	24,041
Total noncurrent assets	<u>197,909</u>	<u>4,501,636</u>	<u>4,699,545</u>
Total assets	<u>454,755</u>	<u>4,577,426</u>	<u>5,032,181</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES:			
Accounts payable	5,543	4,324	9,867
Accrued interest payable	-	16,665	16,665
Accrued payroll	1,335	1,741	3,076
Bonds, notes, and loans payable	11,065	58,138	69,203
Total current liabilities	<u>17,943</u>	<u>80,868</u>	<u>98,811</u>
NONCURRENT LIABILITIES:			
Bonds, notes, and loans payable	6,254	1,680,136	1,686,390
Total liabilities	<u>24,197</u>	<u>1,761,004</u>	<u>1,785,201</u>
NET ASSETS:			
Invested in capital assets - net of related debt	180,590	2,739,321	2,919,911
Restricted for debt service	-	55,483	55,483
Unrestricted	249,968	21,618	271,586
Total net assets	<u>\$ 430,558</u>	<u>\$ 2,816,422</u>	<u>\$ 3,246,980</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Legislative	\$ 8,327	\$ -	\$ -	\$ -	\$(8,327)	\$ -	\$(8,327)
General government	77,982	-	-	-	(77,982)	-	(77,982)
Public works	189,032	80,895	-	-	(108,137)	-	(108,137)
Consumer and economic development	271	-	-	-	(271)	-	(271)
Total governmental activities	275,612	80,895	-	-	(194,717)	-	(194,717)
Business-type activities							
Water and sewer	325,653	306,700	-	1,906,722	-	1,887,769	1,887,769
Total government	\$ 601,265	\$ 387,595	\$ -	\$ 1,906,722	\$(194,717)	1,887,769	1,693,052
General revenues							
Property taxes					101,091	-	101,091
State-shared revenues					141,437	-	141,437
Interest income					785	170	955
Other income					13,450	14,857	28,307
Total general revenues					256,763	15,027	271,790
Change in net assets					62,046	1,902,796	1,964,842
Net assets - Beginning					368,512	913,626	1,282,138
Net assets - Ending					\$ 430,558	\$ 2,816,422	\$ 3,246,980

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS AND OTHER DEBITS</u>					
Cash and cash equivalents	\$ 55,044	\$ 17,402	\$ 10,628	\$ 46,696	\$ 129,770
Accounts receivable	1,533	-	-	-	1,533
Due from other funds	67,123	684	-	-	67,807
Due from other governments	21,770	6,417	1,890	759	30,836
Total assets and other debits	<u>\$ 145,470</u>	<u>\$ 24,503</u>	<u>\$ 12,518</u>	<u>\$ 47,455</u>	<u>\$ 229,946</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 2,609	\$ 377	\$ 252	\$ 377	\$ 3,615
Accrued payroll	668	176	135	-	979
Due to other funds	829	922	1,022	97	2,870
Total liabilities	<u>4,106</u>	<u>1,475</u>	<u>1,409</u>	<u>474</u>	<u>7,464</u>
<u>FUND BALANCES</u>					
Fund balances - Unreserved	<u>141,364</u>	<u>23,028</u>	<u>11,109</u>	<u>46,981</u>	<u>222,482</u>
Total liabilities, fund equity and other credits	<u>\$ 145,470</u>	<u>\$ 24,503</u>	<u>\$ 12,518</u>	<u>\$ 47,455</u>	<u>\$ 229,946</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
FEBRUARY 28, 2005

Total fund balance - total governmental funds	\$ 222,482
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund.	197,909
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	27,486
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Includes Internal Service Funds' non-current liabilities.	<u>(17,319)</u>
Net assets of governmental activities	<u>\$ 430,558</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2005

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 94,166	\$ -	\$ -	\$ 6,925	\$ 101,091
Fees and fines	209	-	-	-	209
Intergovernmental	93,176	37,292	10,969	-	141,437
Interest income	74	133	26	528	761
Other revenue	196	1,340	-	6,611	8,147
Total revenues	<u>187,821</u>	<u>38,765</u>	<u>10,995</u>	<u>14,064</u>	<u>251,645</u>
EXPENDITURES:					
Current:					
Legislative	8,327	-	-	-	8,327
General government	77,982	-	-	-	77,982
Public works	71,672	132,118	52,412	17,622	273,824
Consumer and economic development	271	-	-	-	271
Total expenditures	<u>158,252</u>	<u>132,118</u>	<u>52,412</u>	<u>17,622</u>	<u>360,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	<u>29,569</u>	<u>(93,353)</u>	<u>(41,417)</u>	<u>(3,558)</u>	<u>(108,759)</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	32,330	4,000	36,330
Operating transfers (out)	(36,330)	-	-	-	(36,330)
Total other financing sources (uses)	<u>(36,330)</u>	<u>-</u>	<u>32,330</u>	<u>4,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)					
	<u>(6,761)</u>	<u>(93,353)</u>	<u>(9,087)</u>	<u>442</u>	<u>(108,759)</u>
FUND BALANCE - Beginning of year					
	<u>148,125</u>	<u>116,381</u>	<u>20,196</u>	<u>46,539</u>	<u>331,241</u>
FUND BALANCE - End of year					
	<u>\$ 141,364</u>	<u>\$ 23,028</u>	<u>\$ 11,109</u>	<u>\$ 46,981</u>	<u>\$ 222,482</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended February 28, 2005

Net change in fund balances - total governmental funds	\$ (108,759)
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	147,779
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(3,694)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund are included in governmental activities.	<u>26,720</u>
Change in net assets of governmental activities	<u>\$ 62,046</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 28, 2005

<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>			<u>INTERNAL SERVICE FUND</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 40,631	\$ 53,485	\$ 94,116	\$ 26,571
Accounts receivable	19,402	22,208	41,610	-
Due from other funds	3,134	-	3,134	3,365
Total current assets	63,167	75,693	138,860	29,936
NONCURRENT ASSETS				
Construction in progress	2,890,237	-	2,890,237	-
Distribution and collection system	303,871	1,999,755	2,303,626	-
Buildings and equipment	15,618	9,187	24,805	300,573
Less - Accumulated depreciation	(239,201)	(501,872)	(741,073)	(246,749)
Net property and equipment	2,970,525	1,507,070	4,477,595	53,824
Deferred charges:				
Unamortized bond discount	12,838	11,203	24,041	-
Total noncurrent assets	2,983,363	1,518,273	4,501,636	53,824
Total assets	3,046,530	1,593,966	4,640,496	83,760
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	832	3,492	4,324	1,928
Accrued interest payable	7,824	8,841	16,665	-
Accrued payroll	1,393	348	1,741	356
Due to other funds	1,456	61,614	63,070	166
Bonds, notes, and loans payable	10,000	48,138	58,138	11,065
Total current liabilities	21,505	122,433	143,938	13,515
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	1,033,000	647,136	1,680,136	6,254
Total liabilities	1,054,505	769,569	1,824,074	19,769
NET ASSETS:				
Invested in capital assets - net of related debt	1,927,525	811,796	2,739,321	36,505
Restricted for debt service	15,852	39,631	55,483	-
Unrestricted	48,648	(27,030)	21,618	27,486
Total net assets	\$ 1,992,025	\$ 824,397	\$ 2,816,422	\$ 63,991

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
OPERATING REVENUES:				
Charges for services	\$ 181,165	\$ 119,932	\$ 301,097	\$ 80,895
Interest and penalties	1,131	1,441	2,572	-
Connection fees	3,031	-	3,031	-
Total operating revenues	<u>185,327</u>	<u>121,373</u>	<u>306,700</u>	<u>80,895</u>
OPERATING EXPENSES:				
Personal services	46,820	23,036	69,856	8,712
Payroll taxes	3,824	2,032	5,856	824
Employee benefits	10,826	5,126	15,952	2,576
Professional services	2,313	15,142	17,455	1,037
Utilities	10,350	10,696	21,046	-
Repairs and maintenance	2,609	3,387	5,996	11,340
Insurance and bonds	3,005	2,379	5,384	3,792
Operating supplies	6,255	1,589	7,844	4,700
Fuel and oil	-	-	-	8,809
Conferences	184	300	484	-
Memberships and dues	563	50	613	-
Mileage and travel	276	354	630	-
Office supplies	1,421	1,338	2,759	10
Equipment rent	28,092	16,071	44,163	-
Lab analysis	1,064	11,090	12,154	-
Miscellaneous	774	3,024	3,798	-
Depreciation	9,964	40,847	50,811	16,315
Total operating expenses	<u>128,340</u>	<u>136,461</u>	<u>264,801</u>	<u>58,115</u>
OPERATING INCOME	<u>56,987</u>	<u>(15,088)</u>	<u>41,899</u>	<u>22,780</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	115	55	170	24
Collection of tax assessments	-	46,722	46,722	-
Other income	12,598	2,259	14,857	5,094
Interest expense	(36,016)	(23,926)	(59,942)	(1,178)
Amortization of bond issuance costs	(163)	(747)	(910)	-
Total non-operating revenues (expenses)	<u>(23,466)</u>	<u>24,363</u>	<u>897</u>	<u>3,940</u>
Income (loss) before contributions and other financing sources	33,521	9,275	42,796	26,720
CAPITAL CONTRIBUTIONS	1,860,000	-	1,860,000	-
OTHER FINANCING SOURCES:				
Operating transfers in(out)	<u>(23,675)</u>	<u>23,675</u>	<u>-</u>	<u>-</u>
Change in net assets	1,869,846	32,950	1,902,796	26,720
TOTAL NET ASSETS - Beginning of year	<u>122,179</u>	<u>791,447</u>	<u>913,626</u>	<u>37,271</u>
TOTAL NET ASSETS - End of year	<u>\$ 1,992,025</u>	<u>\$ 824,397</u>	<u>\$ 2,816,422</u>	<u>\$ 63,991</u>

VILLAGE OF SPRINGPORT
 PROPRIETARY FUND STATEMENT OF CASH FLOWS
 YEAR ENDED FEBRUARY 28, 2005

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 181,489	\$ 121,203	\$ 302,692	\$ 77,588
Payments to suppliers	(307,494)	(77,272)	(384,766)	(32,310)
Payments to employees	(46,051)	(22,923)	(68,974)	(8,632)
Cash received from other funds	-	25,672	25,672	-
Cash paid to other funds	(6,931)	-	(6,931)	(5,600)
Net cash provided (used) by operating activities	<u>(178,987)</u>	<u>46,680</u>	<u>(132,307)</u>	<u>31,046</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	1,053,000	-	1,053,000	-
Capital contributions	1,860,000	-	1,860,000	-
Purchase of capital assets	(2,672,028)	-	(2,672,028)	(3,348)
Principal and interest paid on capital debt	(46,016)	(72,064)	(118,080)	(12,406)
Other receipts (payments)	12,598	48,981	61,579	5,094
Net cash provided (used) by capital and related financing activities	<u>207,554</u>	<u>(23,083)</u>	<u>184,471</u>	<u>(10,660)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	115	55	170	24
Net cash provided by investing activities	<u>115</u>	<u>55</u>	<u>170</u>	<u>24</u>
Net increase (decrease) in cash and cash equivalents	28,682	23,652	52,334	20,410
Balances - beginning of year	11,949	29,833	41,782	6,161
Balances - end of year	<u>\$ 40,631</u>	<u>\$ 53,485</u>	<u>\$ 94,116</u>	<u>\$ 26,571</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 56,987	\$ (15,088)	\$ 41,899	22,780
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	9,964	40,847	50,811	16,315
Change in assets and liabilities				
Receivables - net	(3,882)	(2,806)	(6,688)	-
Due from other funds	(15,134)	-	(15,134)	(3,307)
Accounts and other payables	(227,345)	(5,344)	(232,689)	858
Due to other funds	423	29,071	29,494	(5,600)
Net cash provided by operating activities	<u>\$ (178,987)</u>	<u>\$ 46,680</u>	<u>\$ (132,307)</u>	<u>\$ 31,046</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
STATEMENT OF FIDUCIARY NET ASSETS
FEBRUARY 28, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 8,939
Due from other funds	<u>857</u>
Total assets	<u>\$ 9,796</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 739
Due to other funds	<u>9,057</u>
Total liabilities	<u>\$ 9,796</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

VILLAGE OF SPRINGPORT
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FEBRUARY 28, 2005

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VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

The accounting methods and procedures adopted by the Village of Springport conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village of Springport.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

The Village of Springport was organized in 1882 and is located in the northwestern portion of Jackson County. The Village operates under an elected Village Council and provides services to more than 700 residents. These services include water and sewer, and community enrichment and development.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of the Village of Springport include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Village, such as the school district, are not included in the financial statements of the Village.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Village of Springport. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following nonmajor funds:

The Cemetery Operations Fund accounts for resources received from special assessment taxes levied for cemetery operations.

The Cemetery Trust Fund accounts for resources received from sale of cemetery lots for the purpose of providing capital improvements needed in the Villages cemetery.

The Capital Improvements Fund accounts for resources received from the general fund earmarked for public improvements.

The Village reports the following major proprietary funds:

The Water and Sewer Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Additionally, the Village reports the following fund types:

The Equipment Internal Service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements)

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes one agency fund. Since agency funds are custodial in nature, they do not involve the measurement or results of operations. The agency funds are as follows:

The Payroll Fund accounts for taxes and other employee deductions which are to be distributed to organizations and other government units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. CASH AND CASH EQUIVALENTS -

The Village has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in government pooled accounts. Because these accounts have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements.

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. RECEIVABLES -

The Village of Springport records various receivables which are listed and described as follows:

- 1) Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types as of February 28, 2005.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund. This account is also for amounts due from Jackson County for delinquent property taxes.

G. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Water and Sewer lines	30 to 50 years
Roads	10 to 30 years
Vehicles and equipment	3 to 7 years

H. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. LONG TERM OBLIGATIONS -

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

VILLAGE OF SPRINGPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

J. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
<u>GENERAL FUND</u>			
Street lights	\$ 9,359	\$ 10,695	\$ (1,336)
<u>MAJOR STREET FUND</u>			
Payroll taxes	\$ 600	\$ 641	\$ (41)
Employee benefits	1,000	1,546	(546)
Operating supplies	200	555	(355)
Equipment rent	4,500	7,507	(3,007)
Street construction	101,850	108,574	(6,724)
	<u>\$ 108,150</u>	<u>\$ 118,823</u>	<u>\$ (10,673)</u>
<u>LOCAL STREET FUND</u>			
Employee benefits	\$ 800	\$ 840	\$ (40)
Professional services	1,500	2,128	(628)
Insurance and bonds	900	953	(53)
Equipment rent	2,000	2,158	(158)
Other	25	291	(266)
Total	<u>\$ 5,225</u>	<u>\$ 6,370</u>	<u>\$ (1,145)</u>

VILLAGE OF SPRINGPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

NOTE 3 - PROPERTY TAXES:

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the last day of the following September. Real property taxes not paid by this date are considered delinquent, and are sent over to Jackson County for collection. Delinquent real property taxes are paid to the Village by Jackson County, therefore the General Fund reflects as revenue the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected.

The Village's operating tax rate is currently 17.4205 mills and is distributed as follows:

General Operation	10.9980
Cemetery	0.8243
Sewer - Debt Service	5.5982
	17.4205

The taxable value of real and personal property located in the Village was \$8,738,602

NOTE 4 - CASH AND INVESTMENTS:

The Village Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Village.

The captions on the combined balance sheets relating to cash and cash-restricted and the amounts of the Total (Memorandum Only) columns are as follows:

The restrictions placed on cash include amounts received from the issuance of bonds and amounts set aside for repayment of bond debt.

CARRYING AMOUNT:	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	FIDUCIARY FUNDS	TOTAL
Cash and cash equivalents	\$ 156,341	\$ 38,633	\$ 8,939	\$ 203,913
Cash restricted	-	55,483	-	55,483
	\$ 156,341	\$ 94,116	\$ 8,939	\$ 259,396

VILLAGE OF SPRINGPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at February 28, 2005, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Sewer	\$ 57,926
	-	Water	140
	-	Payroll	9,057
	<u>67,123</u>		<u>67,123</u>
Major Street	<u>684</u>	Local Street	<u>684</u>
Water	<u>3,134</u>	Sewer	<u>3,134</u>
Equipment	-	General	829
	-	Major Street	491
	-	Local Street	175
	-	Sewer	554
	-	Water	1,316
	<u>3,365</u>		<u>3,365</u>
Payroll	-	Major Street	431
	-	Local Street	162
	-	Cemetery Operations	98
	-	Equipment	166
	<u>857</u>		<u>857</u>
Total	<u>\$ 75,163</u>	Total	<u>\$ 75,163</u>

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Capital asset activity of the Village of Springport for the current year was as follows:

	<u>02/28/04</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>02/28/05</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets being depreciated				
Machinery and equipment	\$ 297,225	\$ 3,348	\$ -	\$ 300,573
Infrastructure	-	147,779	-	147,779
Subtotal	<u>297,225</u>	<u>151,127</u>	<u>-</u>	<u>448,352</u>
Less accumulated depreciation for				
Machinery and equipment	230,434	16,315	-	246,749
Infrastructure	-	3,694	-	3,694
Subtotal	<u>230,434</u>	<u>20,009</u>	<u>-</u>	<u>250,443</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$ 66,791</u>	<u>\$ 131,118</u>	<u>\$ -</u>	<u>\$ 197,909</u>

VILLAGE OF SPRINGPORT
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2005

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT: (Continued)

	<u>02/28/04</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>02/28/05</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital assets not being depreciated				
Construction in progress	\$ 230,123	\$ 2,660,114	\$ -	\$ 2,890,237
Subtotal	<u>230,123</u>	<u>2,660,114</u>	<u>-</u>	<u>2,890,237</u>
Capital assets being depreciated				
Machinery and equipment	19,138	-	-	19,138
Distribution and collection system	2,309,293	-	-	2,309,293
Subtotal	<u>2,328,431</u>	<u>-</u>	<u>-</u>	<u>2,328,431</u>
Less accumulated depreciation for				
Machinery and equipment	5,898	1,848	-	7,746
Distribution and collection system	684,364	48,963	-	733,327
Subtotal	<u>690,262</u>	<u>50,811</u>	<u>-</u>	<u>741,073</u>
Net capital assets being depreciated	<u>1,638,169</u>	<u>(50,811)</u>	<u>-</u>	<u>1,587,358</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$ 1,868,292</u>	<u>\$ 2,609,303</u>	<u>\$ -</u>	<u>\$ 4,477,595</u>

Depreciation expense was charged to programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
Public works	\$ 3,694
Internal service fund depreciation is charged to public works based on their usage of assets	<u>16,315</u>
Total governmental activities	<u>\$ 20,009</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 9,964
Sewer	<u>40,847</u>
Total business type activities	<u>\$ 50,811</u>

NOTE 7 - SIMPLE IRA PLAN:

The Village contributes an amount equal to 2% of employee's wages to a Simple Individual Retirement Plan. For the year ended February 28, 2005 the Village's contribution was \$1,799.

VILLAGE OF SPRINGPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

NOTE 8 - CHANGES IN LONG-TERM DEBT: (Continued)

The general long-term debt and other long-term obligations of the Village of Springport, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 02/28/04	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 02/28/05
<u>BUSINESS TYPE ACTIVITIES</u>				
1990 Series Bonds-\$300,000 Waste Water Disposal System Bonds- Due in annual installments of \$25,000 through November 1, 2009; interest at 5.9% to 7.15%.	\$ 140,000	\$ -	\$ (20,000)	\$ 120,000
Waste Water Disposal System Bonds-\$689,687 due in annual installments of \$30,000 to \$45,000 through April 1, 2020; Interest rate of 2.5%.	603,412	-	(28,138)	575,274
2004A Series Bonds-\$928,000 Water Revenue Bonds-Due in annual installments of \$9,000 to \$48,000 through January 1, 2044; interest at 4.5%	-	928,000	(9,000)	919,000
2004B Series Bonds-\$125,000 Water Revenue Bonds-Due in annual installments of \$1,000 to \$6,000 through January 1, 2044; interest at 4.5%.	-	125,000	(1,000)	124,000
Total Business Type Activities	<u>\$ 743,412</u>	<u>\$ 1,053,000</u>	<u>\$ (58,138)</u>	<u>\$ 1,738,274</u>

The Business Type Bonds were issued to finance construction of the Village's Water & Sewer System. Repayment of the bonds is to be made from revenues generated by the system and from taxes assessed. The remaining annual requirements to maturity for principal and interest are as follows:

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2005	\$ 58,138	\$ 69,511
2006	64,138	66,938
2007	68,827	63,905
2008	68,827	60,815
2009	68,827	55,923
Thereafter	<u>1,409,517</u>	<u>1,018,756</u>
	<u>\$ 1,738,274</u>	<u>\$ 1,335,848</u>

VILLAGE OF SPRINGPORT
 NOTES TO THE FINANCIAL STATEMENTS
 FEBRUARY 28, 2005

NOTE 8 - CHANGES IN LONG-TERM DEBT: (Continued)

The Governmental Activities include the Equipment Internal Service Fund. Installment purchase agreements were obtained to finance the purchase of new equipment. The remaining annual requirements to maturity for principal and interest are as follows:

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2005	\$ 11,065	\$ 584
2006	6,255	99
	\$ 17,320	\$ 683

NOTE 10 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for claims.

VILLAGE OF SPRINGPORT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF SPRINGPORT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED FEBRUARY 28, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 128,068	\$ 148,125	\$ 148,125	\$ -
Resources (Inflows):				
Taxes -				
Current property taxes	90,500	102,883	94,166	(8,717)
Fees and fines	2,000	500	209	(291)
Intergovernmental				
Sales tax	92,374	92,374	91,098	(1,276)
State metro act	-	2,100	2,078	(22)
Total	92,374	94,474	93,176	(1,298)
Interest income	500	100	74	(26)
Other revenue	3,426	1,051	196	(855)
Amounts available for appropriation	\$ 316,868	\$ 347,133	\$ 335,946	\$ (11,187)

VILLAGE OF SPRINGPORT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED FEBRUARY 28, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
Charges to appropriations (Outflows):				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Personal services	\$ -	\$ -	\$ 3,505	\$ -
Payroll taxes	-	-	374	-
Insurance and bonds	-	-	3,615	-
Membership & dues	-	-	833	-
Total legislative	<u>11,130</u>	<u>10,683</u>	<u>8,327</u>	<u>2,356</u>
GENERAL GOVERNMENT:				
VILLAGE MANAGER:				
Personal services	-	-	3,990	-
Payroll taxes	-	-	316	-
Insurance and bonds	-	-	503	-
Membership & dues	-	-	53	-
Total	<u>15,500</u>	<u>4,870</u>	<u>4,862</u>	<u>8</u>
CLERK				
Personal services	-	-	17,896	-
Payroll taxes	-	-	1,878	-
Employee benefits	-	-	283	-
Insurance and bonds	-	-	627	-
Printing and publishing	-	-	63	-
Reimbursements	-	-	37	-
Membership and dues	-	-	123	-
Total	<u>16,800</u>	<u>20,907</u>	<u>20,907</u>	<u>-</u>
TREASURER				
Personal services	\$ -	\$ -	\$ 7,955	\$ -
Payroll taxes	-	-	978	-
Employee benefits	-	-	73	-
Insurance and bonds	-	-	1,006	-
Reimbursements	-	-	1,531	-
Membership and dues	-	-	48	-
Total	<u>11,100</u>	<u>11,591</u>	<u>11,591</u>	<u>-</u>
VILLAGE BUILDING AND GROUNDS:				
Personal services	-	-	17,844	-
Payroll taxes	-	-	1,761	-
Employee benefits	-	-	7,191	-
Insurance and bonds	-	-	1,507	-
Reimbursements	-	-	115	-
Repairs and maintenance	-	-	3,204	-
Building rent	-	-	9,000	-
Total	<u>29,400</u>	<u>40,622</u>	<u>40,622</u>	<u>-</u>
Total general government	<u>72,800</u>	<u>77,990</u>	<u>77,982</u>	<u>8</u>

VILLAGE OF SPRINGPORT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED FEBRUARY 28, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET POSITIVE (NEGATIVE)
PUBLIC WORKS:				
DEPARTMENT OF PUBLIC WORKS:				
Personal services	-	-	-	-
Operating supplies	-	-	4,564	-
Purchased services	-	-	12,138	-
Insurance and bonds	-	-	68	-
Printing and publishing	-	-	748	-
Postage	-	-	1,141	-
Utilities	-	-	4,055	-
Equipment rent	-	-	11,664	-
Fire hydrants	-	-	10,596	-
Miscellaneous	-	-	2,294	-
Total	<u>52,021</u>	<u>49,896</u>	<u>47,268</u>	<u>2,628</u>
STREET LIGHTING				
Street lights	<u>9,000</u>	<u>9,359</u>	<u>10,695</u>	<u>(1,336)</u>
REFUSE COLLECTION/DISPOSAL				
Equipment rent	-	-	12,562	-
Refuse pickup	-	-	1,147	-
Total	<u>7,600</u>	<u>13,750</u>	<u>13,709</u>	<u>41</u>
Total public works	<u>68,621</u>	<u>73,005</u>	<u>71,672</u>	<u>1,333</u>
COMMUNITY AND ECONOMIC DEVELOPMENT				
Planning and zoning	<u>1,000</u>	<u>1,000</u>	<u>271</u>	<u>729</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>4,800</u>	<u>36,330</u>	<u>36,330</u>	<u>-</u>
APPROPRIATIONS				
	<u>158,351</u>	<u>199,008</u>	<u>194,582</u>	<u>4,426</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 158,517</u>	<u>\$ 148,125</u>	<u>\$ 141,364</u>	<u>\$ (6,761)</u>

VILLAGE OF SPRINGPORT
 BUDGETARY COMPARISON SCHEDULE
 MAJOR STREET FUND
 YEAR ENDED FEBRUARY 28, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Beginning budgetary fund balance	\$119,591	\$ 116,381	\$ 116,381	\$ -
Resources (Inflows):				
Motor Vehicle Highway Fund payments	30,000	30,000	37,292	7,292
Interest income	500	100	133	33
Other income	-	-	1,340	1,340
Total revenues	<u>30,500</u>	<u>30,100</u>	<u>38,765</u>	<u>8,665</u>
Charges to appropriations (Outflows):				
Personal services	10,000	9,000	7,827	1,173
Payroll taxes	600	600	641	(41)
Employee benefits	500	1,000	1,546	(546)
Insurance and bonds	50	1,000	913	87
Professional services	800	1,000	628	372
Operating supplies	50	200	555	(355)
Office supplies	100	100	19	81
Repairs and maintenance	8,500	7,800	3,788	4,012
Street construction	-	101,850	108,574	(6,724)
Equipment rent	4,000	4,500	7,507	(3,007)
Miscellaneous	500	150	120	30
Total charges to appropriations	<u>25,100</u>	<u>127,200</u>	<u>132,118</u>	<u>(4,918)</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 124,991</u>	<u>\$ 19,281</u>	<u>\$ 23,028</u>	<u>\$ 3,747</u>

VILLAGE OF SPRINGPORT
 BUDGETARY COMPARISON SCHEDULE
 LOCAL STREET FUND
 YEAR ENDED FEBRUARY 28, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 21,257	\$ 20,196	\$ 20,196	\$ -
Resources (Inflows):				
Motor vehicle highway fund payments	10,000	10,000	10,969	969
Interest income	200	75	26	(49)
Total revenues	<u>10,200</u>	<u>10,075</u>	<u>10,995</u>	<u>920</u>
Charges to appropriations (Outflows):				
Personal services	8,000	6,000	4,691	1,309
Payroll taxes	750	450	394	56
Employee benefits	1,200	800	840	(40)
Insurance and bonds	40	900	953	(53)
Professional services	700	1,500	2,128	(628)
Operating supplies	300	300	187	113
Office supplies	30	30	12	18
Repairs and maintenance	3,800	6,100	1,553	4,547
Street construction	-	41,300	39,205	2,095
Equipment rent	3,000	2,000	2,158	(158)
Other	50	25	291	(266)
Total charges to appropriations	<u>17,870</u>	<u>59,405</u>	<u>52,412</u>	<u>6,993</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	-	32,330	32,330	-
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 13,587</u>	<u>\$ 3,196</u>	<u>\$ 11,109</u>	<u>\$ 7,913</u>

VILLAGE OF SPRINGPORT
ADDITIONAL INFORMATION
FOR THE YEAR ENDED FEBRUARY 28, 2005

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FEBRUARY 28, 2005

NON-MAJOR GOVERNMENTAL FUNDS			
CEMETERY OPERATIONS	CAPITAL IMPROVEMENTS	CEMETERY TRUST	TOTAL

ASSETS

Cash and cash equivalents	\$ 6,943	\$ 4,457	\$ 35,296	\$ 46,696
Taxes receivable	718	-	-	718
Interest receivable	41	-	-	41
Total assets	\$ 7,702	\$ 4,457	\$ 35,296	\$ 47,455

LIABILITIES AND FUND BALANCE

Liabilities:				
Accounts payable	\$ 377	\$ -	\$ -	\$ 377
Due to other funds	97	-	-	97
Total liabilities	474	-	-	474
Fund Balance:				
Unreserved	7,228	4,457	35,296	46,981
Total liabilities and fund balance	\$ 7,702	\$ 4,457	\$ 35,296	\$ 47,455

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENT FUNDS
 FOR THE YEAR ENDED FEBRUARY 28, 2005

	NON-MAJOR GOVERNMENTAL FUNDS			
	CEMETERY OPERATIONS	CAPITAL IMPROVEMENT	CEMETERY TRUST	TOTAL
REVENUES:				
Taxes and penalties	\$ 6,925	\$ -	\$ -	\$ 6,925
Interest income	10	8	510	528
Grave openings and sale of lots	5,448	-	1,163	6,611
Total revenues	<u>12,383</u>	<u>8</u>	<u>1,673</u>	<u>14,064</u>
EXPENDITURES:				
Current:				
Public works	16,890	732	-	17,622
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,507)</u>	<u>(724)</u>	<u>1,673</u>	<u>(3,558)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	4,376	-		4,376
Operating transfers (out)	-	-	(376)	(376)
Total other financing sources (uses)	<u>4,376</u>	<u>-</u>	<u>(376)</u>	<u>4,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(131)</u>	<u>(724)</u>	<u>1,297</u>	<u>442</u>
FUND BALANCE - Beginning of year	<u>7,359</u>	<u>5,181</u>	<u>33,999</u>	<u>46,539</u>
FUND BALANCE - End of year	<u>\$ 7,228</u>	<u>\$ 4,457</u>	<u>\$ 35,296</u>	<u>\$ 46,981</u>

VILLAGE OF SPRINGPORT
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF SPRINGPORT
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED FEBRUARY 28, 2005

DESCRIPTION/DATES OF MATURITY	TOTAL BONDS ISSUED	DATE OF ISSUE	INTEREST RATE	OUTSTANDING BALANCE FEBRUARY 28, 2005	DEBT SERVICE REQUIREMENTS - FISCAL YEAR ENDED					
					2005		2006		2007-2020	
					PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
REVENUE BONDS:										
Waste Water Disposal System - November 1, 1990-2009	\$ 300,000	1990	5.9-7.15%	120,000	20,000	8,545	25,000	7,125	75,000	10,713
Waste Water Disposal System - April 1, 2001-2020	\$ 689,687	1999	2.50%	575,274	28,138	14,030	28,138	13,327	518,998	95,556
Water System - January 1, 2005-2044	\$ 928,000	2004	4.50%	919,000	9,000	41,356	10,000	40,950	900,000	964,050
Water System - January 1, 2005-2044	\$ 125,000	2004	4.50%	124,000	1,000	5,580	1,000	5,536	122,000	129,080
CAPITAL LEASES:										
Village Copier October 31, 2001-2005	\$ 5,063	2001	9.00%	737	737	19	-	-	-	-
Komatsu Backhoe October 1, 2001	\$ 48,395	2001	4.75%	16,583	10,328	565	6,255	99	-	-
	\$ 1,755,594	\$ 69,203	\$ 70,095	\$ 70,393	\$ 67,037	\$ 1,615,998	\$ 1,199,399			

VILLAGE OF SPRINGPORT
SINGLE AUDIT SECTION
FOR THE YEAR ENDED FEBRUARY 28, 2005

VILLAGE OF SPRINGPORT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED FEBRUARY 28, 2005

PROGRAM NAME	CFDA#	AMOUNT OF AWARD	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT EXPENDITURES	ACCRUED (DEFERRED) REVENUE AT 2/28/04	CURRENT YEAR AMOUNT RECEIVED	ACCRUED (DEFERRED) REVENUE AT 2/28/05	CURRENT YEAR REVENUE
US DEPARTMENT OF AGRICULTURE: WATER SYSTEM IMPROVEMENTS	10.760	\$ 3,342,000	\$ 243,126	\$ 2,670,062	\$ -	\$ 2,913,000	\$ 188	\$ 2,913,188

The accompanying notes are an integral part of this schedule.

VILLAGE OF SPRINGPORT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village of Springport and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Expenditures in this schedule are in agreement with amounts reported in the financial statements and in the financial reports submitted to Grantor Agencies.

NOTE B – SUBRECIPIENTS:

The Village of Springport awarded no federal awards to subrecipients.

VILLAGE OF SPRINGPORT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED FEBRUARY 28, 2004

FINDING NUMBER

FOLLOW UP

There were no findings or questioned costs during the fiscal year ended February 28, 2004.

VILLAGE OF SPRINGPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2005

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Report on Basic
Financial Statements X Unqualified Qualified

Internal control over financial reporting:

Material weakness(es) identified Yes X No

Reportable condition(s) identified
that are not considered to
be material weaknesses Yes X None reported

Noncompliance material to financial
statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified Yes X No

Reportable condition(s) identified
that are not considered to
be material weaknesses Yes X None reported

Type of auditor's report issued on compliance
for major programs: X Unqualified Qualified

Any audit findings disclosed that are required
to be reported in accordance with
Section 510(a) of Circular A-133? Yes X No

VILLAGE OF SPRINGPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2005

SECTION I – Summary of Auditor’s Results (Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water System Improvement Grant

Dollar threshold used to distinguish between
type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

VILLAGE OF SPRINGPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2005

Section II – Financial Statement Findings

There were no findings related to the financial statements during the year ended February 28, 2005.

VILLAGE OF SPRINGPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED FEBRUARY 28, 2005

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs during the year ended February 28, 2005.

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ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Springport

We have audited the financial statements of the Village of Springport, as of and for the year ended February 28, 2005, and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Springport's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

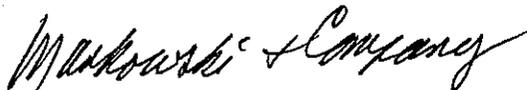
In planning and performing our audit, we considered the Village of Springport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees within the normal course of performing their assigned functions.

To the Village Council
Village of Springport
Page Two

Internal Control Over Financial Reporting (Continued)

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY, CPAs
July 22, 2005

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Village Council
Village of Springport

Compliance

We have audited the compliance of the Village of Springport with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended February 28, 2005. The Village of Springport's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Village of Springport's management. Our responsibility is to express an opinion on the Village of Springport's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Springport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Springport's compliance with those requirements.

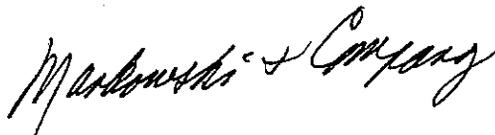
In our opinion, the Village of Springport complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended February 28, 2005.

Internal Control Over Compliance

The management of the Village of Springport is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Springport's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



MARKOWSKI & COMPANY, CPAs
July 22, 2005

MARKOWSKI & COMPANY

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Village Council
Village of Springport

We have audited the basic financial statements of Village of Springport for the year ended February 28, 2005, and have issued our report thereon dated July 22, 2005. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 6, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Village of Springport. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Springport are described in Note B to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended February 28, 2005. We noted no transactions entered into by Village of Springport during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Village of Springport that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Village of Springport's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Springport's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. We did, however, discover some items, which we believe, warrant the Council's attention. These items are discussed in the attached memorandum of comments and recommendations. We were very pleased with the cooperation of the administrative staff. The financial accounting showed significant improvement during the current year.

This information is intended solely for the use of the Village Council and management of the Village of Springport and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



MARKOWSKI & COMPANY CPAs

July 22, 2005

VILLAGE OF SPRINGPORT
ACCOUNTING MEMORANDUM
COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED FEBRUARY 28, 2005

BUDGETING PROCEDURES

As disclosed in Note C, the Village spent amounts in excess of the approved budget during the year ended February 28, 2005. This is a violation of Public Act 621 of 1978. The Village management has done a good job at monitoring and amending the budget when necessary, the budget violations noted were minor when compared to the overall budget of the Village.

SEGREGATION OF DUTIES

Because of the small size of the Village's administrative staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Village of Springport. We recommend that members of the Board review bank reconciliations, water and sewer adjustments, adjustments to the General Ledger, and monthly financial reports for unexpected results that should be investigated.

ACCOUNTS RECEIVABLES

The Village invoices customers for water and sewer services. Currently no reconciliation is being prepared to reconcile the billings and receipts to the General Ledger. A reconciliation should be completed on a monthly basis. We recommend that this procedure be started immediately.

TAXES RECEIVABLES

The Village levies taxes on property. The Village needs to reconcile amounts collected to correct postings of revenues and receivables in the general ledger. The financial records need to reflect the proper receivable balances in each fund that collect property taxes. The general ledger should be reconciled to the tax collection software on an ongoing basis.